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## TRANSACTIONAL OR TRANSFORMATIONAL LEADERSHIP: WHICH WORKS BEST FOR NOW?

<sup>1</sup>Umme Salma Sultana, <sup>2</sup>Mohd Ridzuan Darun and <sup>3</sup>Liu Yao

Faculty of Industrial Management, Universiti Malaysia Pahang, Lebuhraya Tun Razak, 26300 Kuantan, Pahang

### ABSTRACT

The study of leadership started before ages. We found this study with a variety of academic details and in different framework. With the time culture also changed of an organization, it is now more complicated. Present corporate context requires a more efficient leader with clear vision and motivation power, instead of dominant personality. Transactional and Transformational leadership styles got notable attentions of many researchers from decades. This study explores the distinctiveness of Transactional and Transformational leadership from literature. Various differences have been drawn between these leadership styles to identify which one is more applicable for present corporate context. The paper concludes that both Transactional and Transformational leadership styles have weaknesses and strengths, although Transformational leadership style is more acceptable in present context.

**Keywords:** Transactional Leadership, Transformational Leadership

### INTRODUCTION

Times are changing further rapidly than we visualize. Every decades in human history there occurs a pointed transformation. Time bring changes in society, in human physiology, in politics, in arts, in business - all over the world. Present generation could not think about past two generations. People cannot easily accept the time, the society and the lifestyle of their previous generations, they only admit their present world where they born. Drucker said that presently we are living through such a change (Drucker, 1993; James, 2001)

Our guardian of late 1950, taught their children to obey their authority and government without questioning to authority. They trained their children accept their responsibility without asking anything. We all know, today's scenario has been changed a lot. Now we all believe to admit our duty for its own procedures, to be enthusiastic and accepting challenges with self-assurance, and to question authority when needed. Today's employees are not like 1960s, they reserve their right to ask question and they are comfortable to use their creativity in their workplace. Present environment of organizations, the relationship between employee and employers and the style of leading- all are changing. According to Bass, at 1950s the practice of unquestioning is disappeared in 1990s. That norm was change with asking questions when we doubt or when we need to know anything completely (Bass, 1999).

Leadership is one of the most significant branches of management (Wehrich, 2008; Odumeru, 2013). It is a foremost aspect, which give enormously to the expected welfare of society and country. For example, we can name two organizations, General Electric and Chrysler. Because of economic failure, these organizations were near to end. However, two most efficient leaders, Jack Welch from General Electric and Lee Iacocca from Chrysler change the destiny of these organizations. All the way through their leadership, these organizations turn out to be world's most beneficial organizations (Robbins, 2007; Odumeru, 2013). Our knowledge and practice of leadership also changed. Today's business environment has changed than last decade. New kind of crises also introduced in corporate world. Implementations of leadership styles also changing according to situation command. Perform of leadership style not remain same as 20 years back.

Transformational and Transactional leadership theories are the most well known leadership theories. Burns published his seminal work in 1978, where he establishes the idea of transactional and transformational leadership, and Bass elaborate this concept in 1985. At the beginning of this research about transformational and transactional leadership, Bass was disagreeing in some points with Burns. According to Bass, these leadership styles are not the illustration of contrary ends of a particular field. Bass stated that, transformational and transactional leadership are not equal concepts. The outcomes of Bass's thorough research on this field and after many revisions, there are three dimensions of transactional leadership and four dimensions of transformational leadership, and a non leadership dimension (Timothy, 2004). More than 30 years of research about this concept developed by other researchers also, Bruce Avolio's work is most significant among them. This paper will describe the main characteristics of Transformational and Transactional leaderships, their dissimilarities and which one is most fitting in present corporate context according to their distinctiveness.

## **Transformational Leadership**

The idea following transformational leadership is therefore working and providing in the direction of a vision. It includes concern about nation, essentials of empowerment, and level of mission direction. Transformational leadership deals the leadership in a special approach. According to this leadership style, a true leader must have the ability to purify the ethics, trust, and requirements of followers into a vision, and then guide them to pursue that vision. The role of the transformational leader is not giving inspiration only. It consist of that leader should be present and available to convince and guide people until they reach their vision. A transformational leader is someone who inspires followers to accomplish incredible results (Robbins, 2007).

### **Bass saw four interrelated components of transformational leadership**

The transformational factors are interrelated. However, they are evaluated independently since they are theoretically different and essential for critical function. For instance, gloominess and anxiety sometimes seems alike but they need to be treated in a different way. Charisma, or idealized influence as stated by Bass (1997) encompasses persuasion in excess of ideology, control over ethics, and influence over "bigger-than-life" issue. Followers encouraged by the behavior of their leaders and they utilize the leaders actions as role models. The leader behaves in excellent ways, demonstrates confidences, and takes positions that reason followers to recognize with the leader who has a comprehensible set of morals and take steps as a role model for the group.

Inspirational motivation as stated by Bass (1997) is the degree to which the leader express a dream that is attractive and stimulating to followers. Leaders lift up the workers awareness about organization's mission and vision and give confidence in accepting and committing to the vision, and it is the foremost fact of the transformational leadership style.

Intellectual stimulation as revealed by Bass (1997) is a leader in terms of challenge to the establishing rules, mission, and individual, takes risks, face up to assumptions, and promotes followers' thoughts by providing a structure. Throughout the structure, followers will get guideline to how to connect with the leader and goal. This also helps them to identify the way to connect with the organization and to each other. The leader search for ideas from the group and give confidence them to contribute. The leader teaches the followers to learn, and be independent.

Individualized consideration as asserted by Bass (1997) deals with the essential transformational actions, which is everyone should treated as essential contributors in the work place. The leader will perform as a mentor, s/he must give attention to each contributors needs, and give importance to the follower's apprehension and requirements.

### **Pros and Cons of Transformational Leadership**

Bass stated that the transformational leader's task makes an alignment of the organization interests and its member's requirements (Bass, 1999). Transformational leadership style has both strong and weak side. However, evidence from literature shows that weak side is "weak" than strong side. This leadership style changed the concept typical "boss and subordinate" relationship. The transformational leadership style gives emphasis to moral principles, teamwork and community in adding together to the privileged human ethics. The general idea of Transformational Leadership consists some major points. First, the leader's ability to motivate followers by focusing on the needs of principle accordingly higher-order, ethics, and morality (Bass, 1985; Burns, 1978; Yukl, 1998). Secondly, it generates and articulates a goal which is vision-related. It also gives power to others to move in the direction of the shared goal and concentrate to the concerns and beneficial needs of groups (Robbins, 1996). There are some elements of transformational leaderships, which are promising but did not achieve much attention. They are (a) The ability of transformational leaders to reverse decisions taken by followers (O'Connell, 1995). (b) The follower's capacity to contract with difficulty, uncertainty and insecurity (Robbins, 1996). (c) The transformational leader's favoritism in the direction of action (Bennis, 1985).

Yukl noticed some major limitations of Transformational leadership (Yukl, 1999). Sometimes uncertainty is noticeable in this leadership styles processes. The major interest of this leadership theory found to clarify a leader's straight influence over individuals. The theory also needs to include the leader authority on group or organizational procedures. Yukl also noticed that lapse of some transformational behaviors from the original transformational leadership theory, such as- inspiring, developing and empowering. Another limitation of this leadership theory is the inadequate measurement of situational variables. A primary statement of transformational leadership theory is that the fundamental leadership procedures and results are effectively the same in all situations. The theory does not clearly recognize any condition where transformational leadership is unfavorable. Lastly, similar to most leadership theories, transformational leadership theory believes the gallant leadership label. Successful performance by one person or team, or organization is unspecified to depend on leadership by an individual with the ability to discover the accurate path and stimulate others to receive it. However, Yukl also suggests some guidelines to develop Transformational Leadership theory (Yukl, 1999):

- a. Build up a challenging and striking vision, mutually with the followers.
- b. Attach the vision to a policy for its success.
- c. Develop the vision, identify and explain it to procedures.
- d. Express determination and hopefulness about the vision and its execution.
- e. Before full implementation of the plan try to understand the vision through small planned steps and small achievements.

## **Transactional Leadership**

Vision of Transactional Leadership is based on transactions between leader and followers. According to a transactional leader, human relations are nothing but a chain of transactions. The roots of this leadership style are- reward, penalty, economic exchange, emotional and corporeal exchanges and other such "transactions". To understand this leadership style in simple way, just need to think like the leader lead the organization and tell followers what is their duty because s/he gets salary for it. If the follower respond to their duty efficiently they will get reward and for failure punishment. This is how a transactional leader leads the groups.

This leadership also recognized as managerial leadership, because the center of attention of this leadership style is on the responsibility of administration, organization, and group performance; transactional leadership is a style of leadership in which the leader encourages observance of his followers through both rewards and punishments. Transactional leaders give lead to uphold the chain of rules and regulations, their approach is not looking to change the future. Transactional leaders apply a substitute model, where rewards are given for good outcomes or positive results. Transactional leaders also are capable of give punishment for poor effort or unsatisfied outcomes (Hargis, 2001).

### **Bass saw three components of transactional leadership**

According to Bass's observation, Transactional leadership use rewards or punishments, includes three components, which are typically distinguished as instrumental in follower's target achievement (Bass, 1997). Contingent reward as stated by Bass (1997) are regarding leaders connect in a productive path goal contract of reward for performance. They explain opportunity, exchange resources and assurance for support of the leaders. Transactional leaders organize jointly agreeable contract and make available recommendation for positive output and successful performance.

Active Management by Exception as asserted by Bass (1997) is regarding to theory leaders observe followers and take actions according to their performance. They implement policy to keep away followers from mistakes. Passive Management by Exception mentioned about leaders do not take any actions until the problem is serious. They just keep them a side and do not get involved in the situation, until it has become severe. They remain to take steps until faults are brought to their consideration (Bass, 1997).

### **Pros and Cons of Transactional Leadership**

It is true that transactional leadership style is easy to implement and give directions. Punishment and reward, these two words are key of this leadership style. Because people motivate easily for work with the rule of "rewards and punishments", and transactional leadership just utilize it in workplace. Leaders do not need much training, in short run there is minimum need to train leaders. Leaders merely need to tell followers to follow the rules for rewards or else they will get punishment. A well-defined chain of command needs to be established, where each person knows whom the leader is and who is following. Employee's do their duty or accomplish goals throughout organizational objectives; they are aware of the leader and each organizational member leaves their all self-determination and control. In workplace, transactional leaders treat their followers as subordinates, whereas transformational leader treat as followers. Subordinates just need to obey their leader in work place; nothing more is essential. It is easy and effortless to give rewards and punishments, only need to observe that how well subordinate obeys. Transactional leadership theories do not need to think about the difficulty of divergence in intelligence, passions, or task difficulty.

A transactional leader does not usually try to find out subordinates good work or they do not give compliments for expected good work. This is the nature of transactional leaders; their view for job is simply exchange. Exchange of work for money. A transactional leader never feels the necessary to give compliments or praise his subordinates when they do well. Sometimes extraordinary performance noticed and rewarded by the leader.

A transactional leader is inflexible in his expectations about the working relationship, he consider subordinates duty is only follow the instructions. Transactional leader apply his official power to instruct subordinates on what to do, and he only consider the traditional organizational hierarchy. Therefore, subordinates must follow their leaders plan or instructions without asking question and they should realize their position. The dependence on this one-way approach makes transactional leaders unwilling to talk about own ideas or consider others idea. This attitude keeps away transactional leaders to discover his creativity; even it takes away the ability to think something new when things are not going as plan.

The transactional leader does not accept any responsibility when tasks are not going as estimated. Leader's responsibility is assigned the task and gives instructions only. After assigning the task if anything goes wrong, subordinates will be responsible for that. Because this kind of leader hardly will appreciate or give thank, but always ready to blame the employee for anything happened wrong. No doubt, that this leadership style makes subordinates feel frustrated, unsecured and miserable. However, transactional leader do not give importance to subordinates feelings, all he want is complete the task. Transactional leaders must always be present to guarantee that the work will get done properly. Transactional leadership, by its true personality, does not puts leadership and the subordinates on same sides. Continuous pressure of punishment for any fault may unintentionally cause manipulation and game playing by subordinates in intention to save them from punishment. This makes subordinates tricky in workplace, when the leader is absent. Subordinates do not recognize the significance of shared goal, because the leader focused on task only. This is the reason of subordinate's unawareness about organizations mission. When subordinates work without any motivation, they work only for rewards or to avoid punishment, this habit kills their creativity. They work only to follow instructions, not with love and respect for work.

### **Assessment of transformational and transactional leadership**

Burns distinguished between transactional leaders and transformational by explaining that: transactional leaders believe in exchange, they give rewards in exchange for subordinate's loyalty. Transformational leaders are leaders who connect with followers, discuss about goal and ideas with followers. The leader raises awareness about the importance of particular outcomes and identifies new ways in which those outcomes might be accomplished (Hay, 2013). Transactional leaders have tendency to be more passive as transformational leaders express energetic behaviors that include contributing a sense of mission.

These two leadership styles also comparable with Douglas McGregor's Theory Y and Theory X. Transactional Leadership can be compared with Theory X, where leaders rule subordinates by panic and consequences. According to this leadership style, negative performance is punished and subordinates are motivated through rewards (Odumeru, 2013).

Transformational Leadership and Theory Y are found to be comparable, because this leadership theory and style supports the thought that leaders work to give confidence their employees. Leaders think the best of their employees. They lead them to be believing, admiring, and self-motivated. The leaders assist to provide the followers with instrument they need to do well (Odumeru, 2013).

Table 1: Differences between Transactional & Transformational Leadership

Transactional Leadership	Transformational Leadership
Transactional leaders do not feel easy to discuss with employees about plans.	Transformational leaders ready to discuss with employees about plans before execution.
Leader set rewards and punishments for employees to accomplish the goal	Employees complete goal through superior principles and ethics
Motivates employees by tempting their self interest	Motivates employees by give priority to group interests first
Works surrounded by the organizational traditions	Works to transform the organizational traditions by implementing new thoughts
Management-by-exception: continue the status quo; pressure correct actions to recover performance.	Individualized reflection: Each behavior is intended for each person to convey kindness and support. Intellectual stimulation: support new and creative ideas to solve problems.

(Odumeru, 2013)

Transactional leadership is stand upon on exchange values and upon higher authority affairs. The leader gives salary or promotion to employee in exchange of their performance of certain services. The other part of the exchange of value is punishment. If employees failure to carry value they will get punishment, such as reduction in pay or discharge. Transactional leadership, in simple way, can be expressed like this: I am the boss, and I give you order what to do. You will be rewarded if you can do it properly. If you fail to do it, no doubt you will get punishment. Transactional leadership style is a zero-sum game.

In contrast with transactional leadership, Transformational leadership is stand upon the absolute acceptance of employees as individuals. The transformational leaders establish good relation with his followers. He does not offer his followers rewards in exchange of good performance. Instead of offering rewards, he motivates them to get their work places ownership and build their own value. As opposite to transactional leadership, which gives direction to downward and commanding, transformational leadership want followers to share their requirements, suggestions and ideas. This practice helps followers to think positively in work place, they work believe that the organization and they have same goal. Transformational leaderships prime characteristic is believes in leader is the servant of the followers, on the other hand transactional leadership believes leader is the master.

### **Which leadership style is most applicable in present context?**

The transformational leader works for what we can do for our nation, for next generation, for society; and the transactional leader focused on what we can get from our nation or society. Whereas transactional leaders provide to their followers' only self-interests, transformational leaders boost the confidence, enthusiasm, and principles of their followers.

Fifty years back, most of the organizations culture was follow the order without asking any question. Employees were treated like subordinates. Their goal was achieve personal benefits only, because most of the time they were not motivated to work together for one goal. They only follow leaders order and work for self-interests. Present time and situation is more critical than 50 years back. Now employee's self-interests need to be aligned with organizations interests also. Now organizations and employees value is same, both work together for one goal. Employees can ask question about organizations plan, decision and goal, because they reserves right to know everything. Faith in the leadership is necessary for motivation to recognize with the organization and to personalize its ideals (Podsakoff, 1990).

The full range of leadership, can precise by the Multifactor Leadership Questionnaire (MLQ), mention that all leader carry a density of both the transactional and transformational aspects, but individual leader's report involves more of one and less of the other. It could be measure by follower's satisfaction rate. For example, those leaders who have more satisfaction of his followers and who is more creative and energetic as a leader, we can say that he is more transformational and less transactional (Avolio, 1991). The transactional and transformational practice can be applied to group as a whole and to organizations as a whole. Members of transformational team member have some quality, as they inspire each other; help each other to overcome difficulty. They motivate each other to achieve the goal. Their performance is outstanding. Organizational plans and practice can encourage employee empowerment and creative flexibility.

According to Transactional Leadership style's, employees just need to obey the leader and perform the order. Implementations of this Leadership style we found in few decades back. Now scenario has been changed. In today's corporate environment "boss-subordinate" relationship does not work, it replaced by "leader-follower" relationships. If we dig why Transactional leadership theories are most controversial, the reason will be these theories support hierarchical margins and are intrinsically dictatorial. When a leader gives, order and do not allow asking question is showing dictatorship (Transactional Leadership Theories). Abraham Maslow identified that people have hierarchies of needs, they are- physiological, safety, love, esteem and self-actualization. And the transactional leader use this chance, he present the teams these facilities as rewards and subordinates follow his orders to achieve these facilities in their life (Maslow, 1943).

From Caligula to Muammar Gaddafi, history is full of the deadly consequences of transactional leadership (Transactional Leadership Theories). Looking to the animal world, it is not hard to notice that domination is predicated upon expectation. It is animal's nature to wait for food after it complete its duty. We also find this practice when human being was not developed. Transactional leadership in the most ancient of human appearance interprets as slavery.

It can be said that transactional leadership theories breach two rules of ethics, one by the renowned and mainstream philosophers in ethics, Immanuel Kant and Jeremy Bentham. Kant presented his version of the "Golden Rule" to what you would like to see universalized in the world (Transactional Leadership Theories). Would a transactional leader be ready to comply with another leader of the same stripe? Bentham said that one should do what increase happiness and that this should be worldwide. A Transactional leader will never realize that blind obedience is not the ultimate behavior; he always focuses to give order only. The era of domination is not over yet, but strong voices against it aroused decades ago. Domination is the key of Transactional Leadership style, which is losing hold in present corporate context. Whereas the transformational leader motivates, intellectually encourages, and is individually caring of them.

In present atmosphere of international business, increased competition, increase speed of product life cycles, and the rising difficulty of relationships with suppliers, customers, employees, and government (Barlett, 1990), organizations realize that they should change their business policy, this is the high time to change the way they do business. If they want to survive and rising their position they need to accept that the era of domination is over. Bass said that, over the two decades, marketplace and workforce changed noticeably, and it makes leaders to become more transformational and less transactional if they want to stay useful (Bass, 1999). Now is time of sharing the ideas and achieve goals with creativity, which clearly visible in transformational leadership style.

## CONCLUSIONS

Transformational and Transactional leadership theories characterize courageous efforts by researchers to elucidate the characteristics and consequence of leadership. Both theories have positive and negative sides. Still, the power of situational variables on leadership consequences within the circumstances of both styles of leadership should be examine. From the examination of strengths and weaknesses of these two leadership styles, question arises why transformational leadership is more successful than transactional leadership in an extensive range of commerce. In extreme situation, how these leadership styles will respond? It is obvious that more work that is empirical still needs to be focus to expand the scope of these two concepts.

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